

LOS ANGELES POLICE COMMISSION

***REVIEW OF THE DEPARTMENT'S
TRAVEL AUTHORIZATION AND
EXPENDITURES REPORTING AUDIT***



Conducted by the

OFFICE OF THE INSPECTOR GENERAL

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REVIEW OF THE DEPARTMENT'S TRAVEL AUTHORIZATION AND
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PURPOSE

The Office of the Inspector General (OIG), pursuant to its Annual Audit and Review Plan, reviewed the Los Angeles Police Department's (Department or LAPD) Travel Authorization and Expenditures Reporting Audit (Audit) that was conducted by Internal Audits and Inspections Division (IAID). This Audit was completed by IAID in the third quarter, Fiscal Year 2009/2010 and received by the OIG on March 9, 2010. This review assessed the completeness, quality, and findings of the Department's Audit.

BACKGROUND

Each year, the Department incurs a myriad of travel expenditures related to, among other things, investigations, extraditions, training and conferences. The Department's general fund travel expenditures for Fiscal Year 2008/2009 were over \$800,000. Additional sources of funding for travel expenditures include special revenue funds, grants, and the Revolving Training Fund. Fiscal Operations Division (FOD) ensures that travel authorization policies are followed and administers travel expenditures reporting and reimbursement. Departmental policies for authorization and reimbursement are the same for most types of travel, with minor procedural differences based on the travel purpose and funding source.

IAID reported that it randomly selected from FOD's Travel Authority database 67 of the 1,122 travel expenditure packages for all trips made during Fiscal Year 2008/2009. IAID audited these packages for compliance with the City's travel authorization and expenditures policy regarding: (1) Authorization, (2) Accuracy, (3) Timeliness, and (4) Accounting and Monitoring. IAID's reported compliance rates, by objective, are as follows:

Objectives		Compliant Packages/ Total Packages	Compliance Rate
Objective No. 1 – Authorization			
1a.	Determine if Request for Travel Authority forms were properly approved.	(66/67)	99%
1b.	Determine if Personal Expense Statements were properly approved.	(67/67)	100%
Objective No. 2 – Accuracy			
2a.	Determine if travel reimbursements were supported and accurate.	(66/67)	99%
2b.	Determine if unused travel advance funds were returned timely to FOD.	(8/14)	57%
2c.	Determine if travel expenditures were classified to the correct accounts.	(67/67)	100%
Objective No. 3 – Timeliness			
3a.	Determine if Personal Expense Stmts. were timely submitted to FOD.	(33/67)	49%
3b.	Determine if travel reimbursement requests were timely processed.	(19/32)	59%
3c.	Determine if extradition reimbursement requests were timely submitted.	(8/8)	100%
Objective No. 4 – Accounting and Monitoring			
4a.	Determine if bank reconciliations were prepared accurately and timely.	(11/12)	92%
4b.	Determine if bank reconciliations were properly approved.	(12/12)	100%

METHODOLOGY

The OIG reviewed IAID's Audit by re-performing IAID's audit tests for a sub-sample of 15 of IAID's 67 travel expenditure packages. This sub-sample size of 15 was calculated using a 95% confidence level, an expected error rate of 6%, and a plus-precision of 9%. The OIG judgmentally stratified the sub-sample of 15 travel expenditure packages to include 11 (73%) trips with a training/conference or general purpose, three (20%) trips with an investigative purpose, and one (7%) trip with an extradition purpose. These stratification percentages were consistent with the trip purpose percentages in IAID's sample of 67.

The OIG conducted this review in accordance with generally accepted government auditing standards. These standards require that the review is adequately planned, performed, and supervised and that sufficient, appropriate evidence is examined to provide a reasonable basis for the results and conclusion.

OBJECTIVES

The OIG reviewed the Audit for three objectives: completeness, quality, and findings. The primary sub-objectives are described below:

Completeness

- Determine if the Audit tested and reported compliance with certain provisions of the City's travel authorization and expenditures policy.
- Determine if the audit sample was selected from a complete population.

Quality

- Determine if an appropriate sampling methodology and testing questions were used.
- Determine if there was evidence of supervisory review of the Audit.
- Determine if the Audit completely and accurately reported the Audit's purpose, methodology, objectives, results, and detailed findings.

Findings

- Determine if the reported findings correctly represented significant instances in which compliance was not achieved.
- Determine if there were any additional findings not reported that represented significant instances in which compliance was not achieved.

RESULTS

Completeness

The Audit tested and reported compliance for each objective/sub-objective used to evaluate compliance with the City's travel authorization and expenditures policy, and IAID selected the Audit sample from a complete population. As such, the Audit met the OIG's standard for completeness.

Quality

An appropriate sampling methodology and testing questions were used, and there was evidence of supervisory review of the Audit. Furthermore, the Audit completely and accurately reported the Audit's purpose, methodology, objectives, results, and detailed findings. As such, the Audit met the OIG's standard for quality.

The OIG noted that IAID judgmentally selected 67 of the highest-dollar-amount travel expenditure packages to audit, ensuring to include some packages pertaining to investigations, extraditions, and general purposes. The OIG finds this to be an appropriate sampling methodology. However, the OIG noted that IAID inaccurately reported that its sample of 67 was randomly selected.

Findings

The reported findings correctly represented significant instances in which compliance was not achieved. Furthermore, there were no additional findings pertaining to IAID's stated audit objectives not reported that represented significant instances in which compliance was not achieved. As such, the Audit met the OIG's standard for findings.

OTHER MATTER

Not Receiving the Hotel Occupancy Tax Exemption

The OIG noted in its review of the lodging charges on 11 Personal Expense Statements for domestic travel that there were no hotel occupancy tax exemptions claimed by LAPD employees. The OIG was advised by the City Office of the Controller that there is no current practice for any City employees, including LAPD employees, to request a possible exemption.

The OIG contacted eight of the domestic hotels identified in the Personal Expense Statements reviewed, and four of the hotels advised the OIG that a local government employee on official business could receive, at the hotel's discretion, an exemption from the hotel occupancy tax.¹ The OIG was informed that to receive the exemption, the employee would have to complete an occupancy tax exemption request form, provide their identification card/badge, and provide an approved Request for Travel Authority form to support that they are on official business.

According to FOD, domestic lodging charges for LAPD employees traveling for general purposes during Fiscal Year 2009/2010 totaled \$422,196. Although not all hotels offer the hotel occupancy tax exemption to municipal government employees, occupancy tax rates typically represent 12% to 18% of lodging charges. Thus, the potential annual savings could be substantial.

RECOMMENDATION

The OIG recommends that the Department consider evaluating the feasibility of establishing a process by which Department employees who travel domestically may attempt to qualify for a hotel occupancy tax exemption.

¹ The OIG noted that the tax code for some states grants the hotel occupancy tax exemption to federal and state government employees and to employees of non-profit organizations on official business.

FISCAL OPERATION DIVISION MANAGEMENT'S RESPONSE

Fiscal Operations Division appreciates the recommendation regarding the Hotel Occupancy Tax Exemption. It is the responsibility of the City Controller to approve and then allow City employees to apply for this exemption. Since the LAPD cannot act unilaterally on this issue, FOD will use this audit as supporting documentation to the City Controller to request the ability for Department personnel to apply for the hotel occupancy tax exemption.

IAID MANAGEMENT'S RESPONSE

IAID management expressed general agreement with the OIG's review.

CONCLUSION

The OIG concluded that the Department's Travel Authorization and Expenditures Reporting Audit completed by IAID's met the OIG's standards for completeness, quality, and findings. This conclusion was supported by the OIG's detailed review of each of the four audit objectives and their associated topics.